

Bullseye Indicators and PaintBars Information Sheet

BMI (Bullseye Momentum Indicator)

Measures market strength and momentum. Crosses can be used as entry/exit signal as well gauging strength of a move. Can be used on all but daily charts. White over red signifies bull strength - red over white signifies bear strength.

CBI (Channel Break Indicator)

The CBI should be used on all charts. In addition there are additional CBI's for use in individual markets. The individual markets CBI may be used in conjunction with the CBI.

The CBI has two different functions: The CBI is used as an buy entry if the oscillator line penetrates and closes above the upper band and a sell entry if the line penetrates and closes below the lower band. This can be especially useful in a trending market to identify additional entry points; however, to be used that way, you must wait for a retracement and another penetration and close above or below, long or short.

The second use of the CBI is as a "permission tool", i.e., no entry long or short can be made unless the oscillator also is long or short, that is to say, it has closed above or below the respective band. This helps in trendless markets with avoiding whipsaws.

The "Bullseye" Indicators

The Bullseye, Bullseye Breakout and Trader III should be placed on the various bar charts .

As you may see, entries are signaled when the white line "Bullseye" approaches and then penetrates and closes either above the upper or below the lower band, thus identifying a breakout with strength. This is much like a simple moving average crossover, except that you have two slower lines and one fast line.

The "Trader III" is designed as a conservative yet robust indicator that will avoid most whipsaws and is the indicator I use most often.

The "Bullseye Breakout" is designed as a moving pivot bar, i.e., the market will consistently return to these bars or break through them or reverse off them signifying a change in trend direction.

The standard "Bullseye" is a very aggressive indicator which will follow most trend breakouts, thus is subject to more whipsaws than the other "Bullseyes."

Chipper Clipper

The Clipper is a MACD-based indicator that will signal exits. Once a trade is put on, monitor the Clipper very carefully, noting how close the bars are to each other. When the Clipper crosses in the opposite direction, you must exit the trade, if you already have not done so for any other reason. Try not to anticipate a crossing before it actually happens on or near the close of a bar.

It is also suggested that you not enter a trade if the Clipper is in opposition. For example, if the Clipper has signaled an exit from a long trade, do not take a trade unless the Clipper is again long.

The Clipper is a valuable tool, please pay attention to it.

Bullseye PaintBars

There are three sets of ColorBars: Bullseye ColorBars L and S, Bullseye Breakout L and S, and Trader L and S.

Bullseye ColorBars can be used with any indicator EXCEPT the Bullseye Breakout. The Breakout has its own set of ColorBars. The Trader Long and Short is to be used with the Trader III Indicator.

Suggested Charts:

Note: ALL charts must have the CBI and Chipper Clipper. The BMI Indicator should be on at least one chart per market that you follow. CBI is generally put on subgraph 2 with the Clipper and the Bullseye BMI below that.

S&P 500: A ten minute continuous (meaning at least 5 days back as opposed to a 1 day back chart) chart with the Trader III and Trader Long and Short Paintbars along side a 55 Tick Bar chart with the same indicators and PaintBars on a single page. In addition, we will also need to have a 10 minute chart set to one day back with the same indicators.

As you probably know, you can doubleclick with the right mouse button to enlarge an individual chart.

On a separate S&P page it is suggested you have three charts. The first, a 15 minute continuous with Bullseye Breakout, CBI, and Breakout ColorBars, should be on the left half. On the right half, two charts, both 15 minute charts, one of which is set to *two days back*. *The other is a 15 minute continuous*. Trader III and Bars should be on the 15 minute continuous.

On the 15 minute two day back chart you should have Bullseye Breakout and Breakout PaintBars. Set the indicators and PaintBars under options to 27 max bars back. As you will see, this gives indicator signals for only today yet lets you view yesterday. Note: You must *reset (meaning turn on and off)* all indicators and PaintBars everyday on the one and two-day back charts.

T-Bonds: One page with a ten minute continuous chart with Trader III and Bars, a 15 minute continuous chart with the Breakout and Bars, and a 15 minute two day back chart set up like the S&P with Bullseye Breakout and PaintBars (indicators set at 27 max bars back as discussed above).

Swiss Franc and Japanese Yen: One page with three charts side by side, one being a 36 tick bar and the other, a 10 minute, both continuous. Both charts should have Trader III and Trader PaintBars. Both continuous charts should have the CBI and one should have the Bullseye BMI. You may also apply the SF CBI on the charts for a potential different view.

The third chart is a 15 minute, two day back chart with Bullseye Breakout with Breakout PaintBars, all set to 27 MaxBars Back.

Deutsche Mark : One page including a continuous 10 minute chart with Trader III and Trader PaintBars, a continuous 15 minute bar chart with Bullseye Breakout and Breakout Bars, and a 15 minute two day chart with Bullseye Breakout and Bullseye ColorBars set to 27 max bars back. All charts should have the CBI, with the Bullseye BMI on at least the 15 minute continuous.

The reason we have one and two day back charts is to solve the problem of gaps. When we have an overnight gap from the previous close, it would normally take some time for the indicators to catch up with the market. With the one and two day back charts, we can start charting the price action after just a few bars have been built.

A nice illustration of this strategy happened on July 5th in the S&P 500 when we experienced a limit-down opening. By using the one day back chart we were able to capture a part of the morning rally before the indicators on the continuous charts signaled a short entry. Both trades were profitable since we had used the clipper on the one day back chart to exit with profits.

Early Warning Page

The final page I suggest you use is what I call my “Early Warning” Page. On this page I have three 36 tick bar charts, one for the Swiss, the Yen, and the T-Bonds and a 4th chart set up as a 55 tick bar chart for the S&P.

I place the Trader III and Bars along with CBI and Clipper on all charts. The idea is to watch the Trader III Indicator for breakouts. The CBI will kick in after five bars have been built.

This chart will generally alert you to any early trading opportunities. I will take trades off this page in all markets but the SP. If I detect an early trade in the S&P, I will generally want to have a confirmation from one additional chart before calling a trade.

This is one page you can just leave up when you don’t have a trade on, and then have the ability to monitor the complete market picture as we follow along on the channel. More on the channel later.

Quote Page

My quote page is set up this way. On the left half I have the quotes, US and SP, the Dow and the SP Cash, SF, DM JY and so on. On the right side I have two charts. The top chart is a five minute chart of the Dow Jones Industrials and the bottom is five minute chart of the S&P Cash.

Both charts are set to two days back and I have the Trader III, CBI, and Clipper along with Trader Long and Short Bars. The indicators and PaintBars are at their default settings. Using this chart, I can, at a glance, monitor a S&P futures trade by watching the quotes on the Bonds and SP, while monitor what the actual cash markets are reporting.

Current Strategy

The current strategy (as of the opening of the September '96 contracts) is the following.

S&P 500. We watch the ten minute continuous chart watching for a crossover close on the Trader III Indicator confirmed by the CBI closing above or below its respective band, either long or short. If the clipper is in agreement (see above), then that is a verified signal. We then take the close of that bar and place a sell or buy stop order 25 points above or below the close of the bar.

This same strategy is used in the one or two back charts if we are using them because of a gap opening.

Example: The market starts going down. We notice that at the close of the 1250p bar the Trader III line has closed below the lower red band and the CBI has closed below its lower band. The price at the close is 667.25 Now we have a confirmed signal. We then quickly subtract 25 points from 667.25 and place a sell stop order at 667.00.

Once we get our fill, we then place a stop loss order at 65 points above the fill, i.e., if we were filled on the above order at 666.80, our stop is placed at 667.45.

We then monitor the trade by watching the quote page for early signals from the bonds or the cash markets. We switch back to the S&P chart where the signal originated from and also note whether the CBI is still short (or long as the case may be) and then begin to follow the Clipper, monitoring its progress as to its proximity to an opposite direction crossover. As the trade progresses we are monitoring both the quote page and S&P chart page.

All things being equal (meaning the bonds or the cash have not reversed and gone in the opposite direction) we will exit the trade when the Clipper has crossed or will be crossing in the opposite direction. We do that by canceling our stop loss order and placing a market order to buy (or sell if we are in a long trade).

The same strategy is followed in the bonds and currencies, except that we use 4 ticks instead of 25 points.

Example: The Swiss Franc bar closes with a valid long entry at .7940. The stop buy order is placed at .7944 and in the currencies, a 8 tick stop loss is used so we would then place a stop loss order at .7936 if we were filled at .7946, for example.

The same is valid in the T-Bonds. Short signal confirmed at 107.16, sell stop at 107.12. Stop loss in bonds is five points away from fill.

This is a rather conservative strategy. However, this being summer and trading rather erratic at times, we feel this is both the safe and profitable way to tackle the markets. We'll probably return to a more aggressive trading strategy in the fall.

"It is not a hard and fast rule that you wait for the bar to close to identify the Signal."

Bullseye Trading Update #1 ®

New Indicators

Permission

Attached you will find a new indicator called Permission. Its an oscillator type of indicator that you can use to get "Permission" to take a long or short trade, i.e., if the oscillator/histogram is above the center line long trades are OK and if below, short trades are OK. It is also useful in determining early trend formations. I suggest placing it on one ten minute chart per market for reference.

P-Trader

The P-Trader is a new Bullseye type indicator designed to be used on daily as opposed to intraday charts. Use it along with CBI and Permission and Trader PaintBars. The inputs are adjustable and have only been mildly optimized, so feel free to experiment.

High Percentage Trade

For a high percentage trade good in the currencies as well as the t-bonds and S&P, try putting a Bullseye Breakout with Breakout Bars on a 15 minute continuous chart along with the CBI and BMI. Take a trade whenever the "Bullseye Line" crosses through the bands or touches then retraces from the bands and the CBI confirms.

Final Note: On all one day and two day back charts you must reset the indicators every day. This

can be done by turning the Indicators and PaintBar's status on or off. It can also be done by using an easy icon.